



Department
for Education

Adjustments to local authority funding related to free schools

Government consultation response

15 December 2016

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Introduction

On 21 July 2016, we published a consultation which proposed to change the recoupment arrangements for mainstream free schools, so that centrally delivered schools would become recoupable from their first year of opening.

This is the government's response to the consultation and sets out:

- a summary of the consultation proposal
- an overview of the key themes arising from the responses we received, and our decisions on the basis of these responses
- a timeline of next steps

Summary of the consultation proposal

Currently, maintained schools receive their funding from the local authority, and academies and free schools receive it directly from Education Funding Agency (EFA). We deduct the funding for pupils in academies and free schools from the dedicated schools grant (DSG) we give to local authorities, and we call this process recoupment.

Under the current system, if a mainstream free school is established because a local authority has identified a need for the new school, known as the presumption process, recoupment starts from the first year. If it is established through an application made directly to the Department by a proposer, known as the centrally delivered process, recoupment starts from the second year that the school is open.

This means that, for 7 months, the local authority receives funding for pupils who move to a new centrally delivered free school (from the pupils starting school in September to the end of the financial year in March).

The current system of recoupment is inconsistent and unfair:

- Not all free schools have the same funding arrangements.
The recoupment arrangements for free schools vary depending on the circumstances under which they were established. We think that all free schools should have the same funding arrangements, so that the funding system is simpler, fairer and more consistent.
- Local authority funding does not reflect the expected movement of pupils when a free school opens.

As a result, for 7 months, funding is provided for those pupils twice, once to the local authority and once to the school. This is not an appropriate use of a resource that could be used elsewhere in the education system.

Our consultation proposed to remove this inconsistency and recoup funding for all new mainstream free schools from the first year.

Local authorities would record in the authority proforma tool (APT) in January their estimate of the number of pupils expected to attend new free schools in their area. We would use this information to calculate the amount to recoup. In the following January, when the local authority completes their APT, they may take account of any difference between estimated and actual pupil numbers to adjust their recoupment amount for the following year.

Overview of responses received

In total, there were **58 responses** to the consultation. The table below shows a breakdown of responses by organisation type.

Organisation type	Total	Percentage
Local authority	48	83%
Maintained school	1	2%
Academy / Multi-academy trust	0	0%
Other	9	16%

A full list of the organisations that responded can be found at annex A.

Key findings and our decisions

Question 1

Do you agree with the proposal to recoup funding for all mainstream free schools from the first year of opening?

Response	Total	Percentage
Yes	10	17%
No	48	83%

The principle that recoupment arrangements should apply consistently to all mainstream free schools was a major reason respondents gave for supporting the proposal. A number of respondents who disagreed with the proposal overall also voiced their support for this principle. The fairness of eliminating the double funding that currently exists in the system was also a rationale for respondents agreeing with the proposal.

The most common reason for disagreement with the proposal was that funding allocations to existing schools, on the basis of pupil numbers from the previous October's census, would still include pupils who would in reality be attending the new free school. Other respondents opposed the proposal on the basis that there may be pupils attending the new school who would not have been captured in the previous October's census, and for whom the local authority would therefore not have been allocated funding, for example, pupils from other local authorities.

Respondents were also concerned about the extent of uncertainty in January, when local authorities are required to submit their APT, regarding which free schools would open in September, and what their pupil numbers would be.

Other reasons cited by respondents disagreeing with the proposal were existing financial pressure on local authority budgets, and the principle that it is EFA's responsibility to fund a new centrally delivered free school because EFA made the decision to establish it.

Question 2

Do you think there is any particular support the department could give local authorities to help them estimate pupil numbers for new mainstream free schools, or any other support which would make recoupment fairer or simpler?

A number of respondents requested support for local authorities with estimating pupil numbers at the new free school. Suggestions included pre-populating the APT with

estimates, and providing help with estimating the number of pupils displaced from other schools, and the number of pupils who would not have been in the previous October's census.

Respondents also requested regular and/or early notification from the Department to local authorities of any potential free schools opening in their area. It was also suggested that there should be an opportunity for local authorities to adjust their estimates of pupil numbers with the Department in-year.

Government response to consultation findings

We have taken the issues raised into consideration, but continue to believe that it is not appropriate to provide funding to a local authority for pupils who will also be funded directly by the Department. We believe that our proposal to recoup centrally from the local authority remains the fairest way of amending this, as well as making the system simpler and consistent for all mainstream free schools. We have addressed the issues raised and set out our reasons for deciding to continue with the proposal below.

To help local authorities estimate the amount of funding to be recouped, we will provide a dataset of free schools, including expected pupil numbers, with the APT in December. When submitting the APT, local authorities should combine the data provided with their local knowledge to determine the most accurate estimate of the number of pupils who will be at new free schools.

We have considered the suggestion for local authorities to be offered an in-year opportunity to adjust their estimates of pupil numbers. However, in order to provide schools with stability and certainty over their budgets, the School and Early Years Finance (England) Regulations do not permit local authorities to make in-year changes to schools' budgets. This means that any redistribution of funding to local authorities as a result of adjusted estimates would in any case be received by schools in the following year. On this basis, we have decided to continue with our proposal for local authorities to take account of differences between estimated and actual pupil numbers by adjusting their recoupment amount in the following year. This includes adjusting for any free schools which may not have opened as planned.

Similarly, pupils at the new free school missing from the previous October's census should be funded in the same way as pupils not in the census joining any other school in the area: from within the local authority's existing DSG allocation, making use of the flexibilities available for transferring funding between years as necessary.

The government is committed to the introduction of national funding formulae for schools and high needs, which will fairly and transparently allocate funding on the basis of schools' and children's actual needs, rather than simply on historic levels of funding tied to out-of-date local information. We will also be providing schools with greater access to

the tools and guidance that will allow them to identify how they can become more financially healthy and efficient, and help them take action.

While local authorities continue to distribute funding according to their local formulae, we will continue to recoup funding for academies and free schools. The Department is consulting on the introduction of a national funding formula, which will set schools' core funding from 2019 onwards. We will revisit how recoupment will be managed under the new system in due course.

Next steps

The timetable below sets out the next steps to be taken from December 2016, so that funding for all mainstream free schools can be recouped for 2017-18.

December 2016	The APT for 2017-18 is issued to local authorities. This includes a dataset of free schools expected to open in 2017-18, with pupil number estimates.
January 2017	Local authorities must return the completed APT via the data collection portal.
April 2017	EFA provides funding to local authorities and issues recoupment calculations for the financial year 2017-18.
September 2017	EFA provides funding directly to free schools opening, and recoups funding from local authorities for the estimated pupil numbers in the APT.
October 2017	The school census collects data on actual pupil numbers at all schools, including free schools that opened in September 2017.
December 2017	Local authorities can make retrospective adjustments in their 2018-19 APT to the recoupment amounts for 2017-18, if the estimated number of pupils differed significantly from the pupils shown in the October 2017 census.

Annex A: List of organisations that responded to the consultation

Achieving for Children

Association of School and College Leaders (ASCL)

Bedford Borough Council

Bolton Borough Council

Cambridgeshire County Council

Bradford City Council

The Chilton Group

Cornwall Council

Coventry City Council

Coventry Schools Forum

Derbyshire County Council

Devon County Council

Dudley Borough Council

Durham County Council

East Sussex County Council

Freedom and Autonomy for Schools National Association (FASNA)

Gloucestershire County Council

Hertfordshire County Council

Hull City Council

Knowsley Borough Council

Lancashire County Council

Leicester City Council

Leicestershire County Council

Lincolnshire County Council

Liverpool Schools Forum

London Borough of Barnet

London Borough of Bromley

London Borough of Croydon

London Borough of Enfield

London Borough of Hackney

London Borough of Havering

London Borough of Islington

London Councils

Luton Borough Council

Manchester City Council

Milton Keynes Council

National Association of Head Teachers

National Union of Teachers

Norfolk County Council

North East Lincolnshire Council

Northamptonshire County council

Nottingham City Council

Oxfordshire County Council

Portsmouth City Council

Prospect

Sandwell Borough Council

Sefton Borough Council

Stockport Borough Council

Sunderland City Council

Surrey County Council

Warrington Borough Council

West Sussex County Council

Willesborough Junior School

Wirral Borough Council

Worcestershire County Council



Department
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